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24 February 1957 3.5(c)

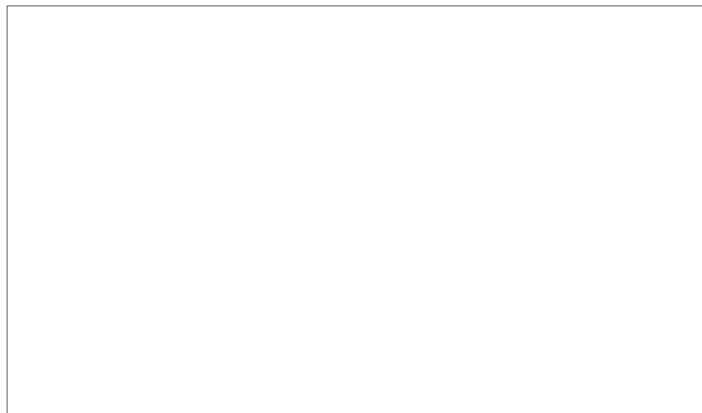
Copy No. 131

**CURRENT
INTELLIGENCE
BULLETIN**

DOCUMENT NO. 4
NO CHANGE IN CLASS. X
DECLASSIFIED
CLASS. CHANGED TO: 13 S 2001
NEXT REVIEW DATE:
AUTH: HR 70-2
DATE 12-27-79 REVIEWER: 1

**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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1. EGYPTIAN FOREIGN MINISTER FEARS PRESSURE ON EGYPT TO MATCH ANY CONCESSIONS BY ISRAEL

Comment on:

Egypt's Foreign Minister Fawzi and Ambassador Hussain [redacted] expressed misgivings that President Eisenhower's speech on 20 February presaged increasing difficulties for

Egypt and increasing pressure for concessions by Egypt, once Israel has withdrawn from occupied territory.

Fawzi indicated concern that when such withdrawal had been completed "a series of pressure operations are going to be started against Egypt" for the purpose of assuring unrestricted use of the Gulf of Aqaba and the Suez Canal by ships of all nations. He also foresaw efforts to increase the UN force in Egypt and extend its jurisdiction; to establish a special regime for the Gaza strip; to reach agreements on the matter of Suez Canal tolls; and to separate the canal and the area around it from Egypt.

Hussain also admitted having the impression that the United States had lost patience with Egypt's tactics of delaying settlement of the canal issue. Fawzi summed up by observing that Egypt was confronted with a more serious problem than in the past and "would have a portion of the UN that is not small" --including those now on the sidelines--working against it. He added "the battle is going to be more difficult not easier."

Fawzi stated that Washington was aware its position would be easier if Egypt committed any blunders, and was watching carefully for any Egyptian mistake. He added "we can depend on ourselves to make mistakes--if we don't open our eyes we are going to get whipped."

Fawzi and Hussain are diplomats of the old school in Egypt and do not have a place in the inner circle

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of Nasr's government. They have frequently expressed disapproval of measures taken by the Nasr regime. Their suspicion of American intentions, however, is probably also reflected in Cairo.

2. SHEPILOV ADVISES EGYPT ON KEEPING THE INITIATIVE

Comment on:

Former Soviet foreign minister
Shepilov has warned

that Egypt must not
lose the initiative in the Middle East.

He suggested that Cairo explore prospects for support from "friendly Asian and Socialist countries" for a conference of all canal users "to reaffirm the 1888 convention, amend it, or work out a new convention." He stated that it was up to Egypt to decide when the canal should be opened in accordance with the 1888 convention and stressed that there is no reason for compromise with the West although Egypt should act with caution.


Shepilov said that "even now the aggressors are still hatching plans against Egyptian sovereignty and the Arab countries." He predicted that Britain, France and the United States plan to isolate Egypt from the Arab countries and then bring pressure to bear on Saudi Arabia and Jordan.

Shepilov sought to arouse suspicion that the Western powers are attempting to use the UN Emergency Force to impose settlements of the Suez and Arab-Israeli conflicts. He noted that new functions have been devised for the UN force, "about which he always had suspicions," which, he said, exceed its mission as originally defined by the General Assembly and which run counter to Egyptian and Arab interests. He said the Western proposal that Suez Canal tolls be paid to the World Bank is a "flagrant violation of Egyptian sovereignty" and represents another attempt "to impose the Menzies or Dulles plan" for international control.

He also told the ambassador that his new post--as one of the eight secretaries of the central committee of the Soviet party--will keep him in close touch with foreign policy, "especially Egyptian affairs."

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3. KHRUSHCHEV COMMENTS ON EUROPEAN INTEGRATION

 Soviet party boss Khrushchev told Chester Bowles on 20 February that the USSR did not like the idea of a "European federation" since Germany was certain eventually to control such a grouping. Britain and France, Khrushchev said, could only be losers. He said that if the federation were only a loose agreement on "economic and similar problems," the USSR had no objections. Khrushchev stressed, however, that Germany could not be permitted to dominate Europe and that in order to prevent such a development, a disarmament agreement including arms control by the principal powers was needed.

Comment Khrushchev's opposition to European integration is in line with Moscow's long-standing claim that it would pave the way for German aggression. The USSR proposed at the meeting of the Economic Commission for Europe last April that there should be an all-European agreement on economic co-operation and that the peaceful uses of atomic energy should be explored within the framework of ECE.

In commenting on the six-nation agreement on EURATOM and the common market, reached on 20 February, Moscow radio has emphasized the differences among the participants, and has played on French fears of Germany. Pointing out that West Germany already produces more iron and steel than France and Great Britain, Moscow predicted that the new plan will allow West German industry to manufacture atomic bombs with French uranium and that French markets will be flooded with West German goods.

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4. THE SPANISH CABINET SHAKE-UP

Comment on:

[REDACTED]

Franco's present cabinet shake-up, like the last major reshuffle in mid-1951, follows a period of growing criticism of his regime and extensive transportation boycotts in Spain's major cities. The working populace has used the boycott, one of the few legal means by which it can protest, to express its dissatisfaction with the deteriorating economic condition of Spain.

[REDACTED]

In naming a new cabinet, Franco seems to have used the device of choosing "technicians" to head a number of ministries as a way of avoiding a showdown between the Falange and its opponents -- the monarchists and army, church and business groups. [REDACTED]

[REDACTED]

Lodge, however, feels that the replacement of Foreign Minister Artajo by Fernando Maria Castiella "would not seem encouraging."

Castiella, Spanish ambassador to the Vatican since 1951, has been described as a former Falangist and former member of Spain's World War II Blue Division, but now a monarchist. The reported replacement of Commerce Minister Arburua suggests that the austerity measures he has favored for combatting Spain's growing inflation will be brushed aside in favor of deficit spending for public works and other construction projects as recommended by other members of the government.

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